

## THE COMMONWEALTH OF MASSACHUSETTS

## **DEPARTMENT OF PUBLIC UTILITIES**

DEVAL L. PATRICK GOVERNOR

TIMOTHY P. MURRAY
LIEUTENANT GOVERNOR

IAN A. BOWLES
SECRETARY

ONE SOUTH STATION BOSTON, MA 02110 (617) 305-3500 PAUL J. HIBBARD

W. ROBERT KEATING
COMMISSIONER

TIM WOOLF

October 1, 2008

## VIA EMAIL AND US MAIL

Kevin Penders, Esq. Keegan Werlin, LLP 265 Franklin Street Boston, Massachusetts 02110-3113 kpenders@keeganwerlin.com

RE: NSTAR Gas Company, D.P.U. 08-36 (2008)

2007 Energy Efficiency Report

Dear Attorney Penders:

On June 30, 2008 NSTAR Gas Company ("NSTAR Gas" or "Company") filed with the Department of Public Utilities ("Department") its annual energy efficiency report ("Annual Report") for the program year ending April 30, 2008. The Annual Report was filed pursuant to a settlement agreement ("Settlement Agreement") approved by the Department in <a href="NSTAR Gas Company">NSTAR Gas Company</a>, D.T.E 04-37 (2004), which allowed for the implementation of a five year energy efficiency plan. The Company is requesting the Department to approve a budget increase for the final year of its five year plan.

The Department docketed this matter as D.P.U. 08-36. On September 9, 2008 the Department held a public hearing in this matter. Also, on September 9, 2008 the Department allowed a petition to intervene from the Massachusetts Department of Energy Resources. The Attorney General of the Commonwealth of Massachusetts was also allowed to intervene as of right pursuant to G.L. c. 12, § 11 (E). The Department also requested written comments,

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however, none were submitted. The evidentiary record includes 43 responses to information requests.<sup>1</sup>

The Company is seeking approval to increase its year five budget by \$1,054,857 over its approved budget of \$3,123,992 (Annual Report, Exh 5). The increased budget will allow the Company to fund its energy efficiency programs at a level consistent with program years one through four (Annual Report at 1). In addition to the request for increased funding, the Company also proposes to implement three new energy efficiency measures: (1) a low-income landlord/renter heating pilot initiative; (2) a residential high efficiency storage water heating rebate program; and (3) a residential combined high efficiency space conditioning and water heating unit program (Annual Report, Exhs. 2, 3).

The Company has provided benefit/cost ratios for its energy efficiency programs, ranging from 2.18 to 10.98 with a cumulative benefit/cost ratio of 4.23 (Annual Report, Exh. 7). The Company was unable, however, to provide a specific benefit/cost analysis for the new measures because the measures are currently under review (Exhs. DPU 1-10, DPU 1-16).

An energy efficiency program is deemed cost-effective if its benefits are equal to or greater than its costs, as expressed in present value terms. The Department evaluates program cost-effectiveness using the Total Resource Cost test, which considers the costs and benefits to both the energy system and the participating customers. Energy Efficiency Guidelines § 3. Energy system costs are comprised of two components: (1) Program Administrator costs, including costs to develop, plan, administer, implement, market, monitor and evaluate programs; and (2) a performance-based shareholder incentive. Energy Efficiency Guidelines § 3.2.2. Program participant costs include all costs incurred by customers as a result of their participation in the programs, net of company rebates and other incentives. Id. § 3.2.3.

The Company's existing programs have proven to be cost-effective and the allocation of additional funds will bring implementation in line with historical spending (Annual Report, Exh. 7). The Department cannot, however, approve additional spending for the low-income landlord/renter heating pilot initiative, residential high efficiency storage water heating rebate program, and residential combined high efficiency space conditioning and water heating unit program because there is insufficient information to determine the cost-effectiveness of these new measures at this time.

On its own motion, the Department moves into the evidentiary record of this proceeding the Company's responses to Information Requests DPU 1-1 through DPU 1-35; AG 1-1 through AG 1-5; and AG 2-1 through AG 2-3.

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Accordingly, the Department approves additional funding for existing programs only. The Department directs the Company to submit a compliance filing, within seven days of the date of this Order, that includes the additional funding sought for the Company's year five energy efficiency budget, excluding funding for the low-income landlord/renter heating pilot initiative, residential high efficiency storage water heating rebate program, and residential combined high efficiency space conditioning and water heating unit program.

By Order of the Department,
/s/
Paul J. Hibbard, Chairman
/s/
W. Robert Keating, Commissioner
W. Robert Rounds, Commissioner
/s/
Tim Woolf, Commissioner

cc: Mary L. Cottrell Service List D.P.U. 08-36

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part. Such petition for appeal shall be filed with the Secretary of the Commission within 20 days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of 20 days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971.